MADIBENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

MADIBENG LOCAL MUNICIPALITY
Annual Financial Statements for the year ended June 30, 2017

General Information

Nature of business and principal activities	Providing municipal services
Speaker	Cllr. KS Ntshabele
Executive Mayor	Cllr. JM Mothibe
Chief Whip	Cllr. PB Makgabo
Chairperson MPAC	Cllr. E Diale
Mayoral committee	Cllr. MM Machete Cllr. DS Maimane Cllr. NM Maqakamba Cllr. SM Mauntlala Cllr. ETM Modise Cllr. SDN Nthangeni Cllr. PA Phetlhe Cllr. J Ratloi Cllr. J Sefudi Cllr. M Tlhopane

General Information

Councillors

Cllr. MZ Banda
Cllr. EJ Edward
Cllr. TS Bohale
Cllr. RNJ Breytenbach
Cllr. RE Dikgang
Cllr. M Du Plessis
Cllr. BP Gous
Cllr. HJ Grobbler
Cllr. KS Komape
Cllr.EDF Lourens
Cllr. ML Mabokachaba
Cllr. NS Mabunda
Cllr. S Maila
Cllr. ML Makgale
Cllr. AWS Malatse
Cllr. II Maledu
Cllr. CM Mampuru
Cllr. OD Marapyane
Cllr. FM Masemola
Cllr. BA Maubane
Cllr. PK Mawayi
Cllr. LG Mhlambi
Cllr. JT Moabi
Cllr. TM Modiha
Cllr. JM Modipane
Cllr. AM Modisakeng
Cllr. TJ Mohlabane
Cllr. RR Mohulatsi
Cllr. MA Mokgoko
Cllr. RA Mokone
Cllr. T Mokwena
Cllr. DM Molekoa
Cllr. MS Moloi
Cllr. AI Molotsi
Cllr. ED Montsho
Cllr. MD Morapedi
Cllr. OP Mosiele
Cllr. J Mosito
Cllr. MD Mosolodi
Cllr. MW Motlhasedi
Cllr. BR Motswai
Cllr. NB Muhlanga
Cllr. WJ Muller
Cllr. EM Nkoe
Cllr. RP Padi
Cllr. EL Phago
Cllr. HT Phalwane
Cllr. J Pieterse
Cllr. P Pretorius
Cllr. AS Rakomane
Cllr.WS Ramaboa
Cllr. MM Ramahofu
Cllr. MM Ramila
Cllr. AD Ratlou
Cllr. GJ Rossouw
Cllr. MG Sadikge
Cllr. C Seabi
Cllr. MM Sekgothe
Cllr. CS Sekhoto
Cllr. KM Shalang
Cllr. GF Sithole
Cllr. EE Tanke
Cllr. P Thubisi
Cllr. KS Tlapu

General Information

	Cllr. P Tsheola Cllr. E Van der Schyff Cllr. JC Van Rhyn
Acting Accounting Officer	ME Manaka
Acting Chief Financial Officer (CFO)	SF Rikhotso
Registered office	53 Van Velden Street Brits 0250
Business address	53 Van Velden Street Brits 0250
Postal address	PO Box 106 Brits 0250
Bankers	First National Bank
Auditors	Auditor General

Index

The reports and statements set out below comprise the annual financial statements presented to the municipal council:

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PIC	Public Investment Coporation
PAAP	Post Audit Action plan
SMT	Strategic Management meetings

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the section 126(1) of th Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to June 30, 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for the audit and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors.

The annual financial statements set out on page 6 to 93, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2017.

ME Manaka
Acting Municpal Manager

Audit Committee Report

In terms of the section 166 of Municipal Finance Management Act (Act no.56 of 2003) an Audit Committee is established to serve as an independent governance structure whose function is to provide an oversight role on the system of internal control, financial reporting processes, risk management, governance and the organisation's process for monitoring compliance with laws and regulations and the code of conducts. Furthermore, the Audit Committee assists the Accounting Officer in the effective execution of his responsibilities with the ultimate aim of the achievement of the organisation's objectives and goals. The Audit Committee has adopted its written terms of reference approved by the Council.

We are pleased to present our report for the financial year ended June 30, 2017.

Audit committee members and attendance

The Audit Committee consists of three (3) external members who have been appointed by the Council in November 2011 as per Council resolution A.0091 .During the financial year, three (3) ordinary meetings and three (3) special meetings were held to deal with urgent matters, thus 6 meetings were held during the 2016/17 financial year. The following illustrate the number of meeting attended by each member:

Name of member	Number of meetings attended
HB Mathibela (Acting Chairperson)	6 out of 6
FJ van der Westhuizen	6 out of 6
P Mangoma	6 out of 6

Effectiveness of internal control

Internal control is a process for assuring the achievements of an organisation's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws and regulations.

The Audit Committee can assert that the system of internal control was partially effective during the year under review as compliance with prescribed policies and procedures were lacking in most instances. During the year under review, several instances of non-compliance were reported by both internal and external auditors that was as a result of a breakdown in functioning of internal controls.

We have urged management to develop an action plan to address the issues raised by the auditors to ensure an improved control environment. The Internal Audit reports should be discussed at the Strategic Management Meetings to ensure that the shortcomings highlighted in the reports are given due attention. The Auditor General Post Audit Action Plan (PAAP) is a Standing item in the Audit Committee Meetings and the Audit Committee has advised management to put it on its Strategic Management Meetings (SMT) and management must be committed to address the issues as per timelines. The Council should ensure that it holds management responsible to ensure that the shortcomings are urgently addressed by relevant departmentS

Audit Committee Report

Effectiveness of internal Audit

The Madibeng Local Municipality (MLM) has a functioning Internal Audit Function reporting functionally to the Audit Committee and administratively to the Accounting Officer. The Chief Audit Executive has unrestricted access to the Chairperson of the Audit Committee to ensure independence of the Function.

The Audit Committee is of the opinion that Internal Audit Function is operating satisfactorily to meet its mandate and has considered the risk pertinent to the municipality in their audit plans. The following activity reports were approved by the Audit Committee during the year:

- The Three- Year Rolling Strategic and Operational Plan
- Internal Audit Charter
- Audit Committee Charter

The Unit has appointed one (1) Senior Internal Auditor and Internal Auditor to complement the capacity of the Internal Audit Function to meet its mandate as found in the Internal Audit Charter.

The slow progress by management in responding to Internal Audit Recommendations is still a grave concern to the Audit Committee which might adversely undermine the effectiveness of the Internal Audit Function's ability to assist the organisation to realise its strategic objectives and improve the control environment.

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Effectiveness of risk management

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The Accounting Officer is responsible for the establishment of an effective system of Risk Management within the municipality that is aligned to the principles of good corporate governance as supported by the MFMA Act No 56 of 2003 and King IV. For the year under review, the municipality was able to review its strategic risks register on the meeting held for 31 May 2017 to 02 June 2017.

The following policies have been recommended to Council with regard to Risk Management:

- Risk Management Policy
- Risk Management Committee Charter
- Draft Anti-Fraud and Corruption Prevention Plan
- Whistleblowing Policy

The Audit Committee has noted that the municipality has established the Risk Management Committee headed by External Chairperson on which the first meeting sat on 30 June 2017. Furthermore, the municipality was in the process of filling the vacancies in Risk Management Unit and has since been advertised and it is anticipated that the process will be completed in the next financial year to capacitate the Unit and bring necessary expertise into Risk Management discipline.

Effectiveness of performanance management system

The municipality has reviewed a performance management system framework and policy approved by Council. However, the performance management is partially undertaken by the administration in that performance reviews have not been conducted for senior managers (section 56 managers) to determine whether they are meeting the performance standards and put necessary intervention to address the performance gaps.

Furthermore, Performance Management System has not been cascaded to all levels of staff to ensure that it is incorporated into day-day activities of the municipality and that all the staff members participate in the vision and priorities set in the IDP.

Audit Committee Report

Quality of monthly/quarterly financial reporting

The Audit Committee was privy to the monthly financial reports submitted by the Budget and Treasury Office during the period under review. To this end, the Audit Committee is of the opinion that the quality of the reports was acceptable and in line with the requirements of the applicable legislation

The vacancy of the Chief Financial Officer is a concern for the Audit Committee in view of ailing finances of the municipality and weak financial controls and should be treated with a sense of urgency to bring stability that will ensure that the BTO operates to its optimal to ensure efficient and effective financial management..

The Audit Committee could not ascertain the municipality's readiness for MSCOA implementation by 1 July 2017 due to lack of progress report on this matter from the administration.

Annual financial statements

The Audit Committee has:

• Reviewed and discussed with the Auditor-General and the Accounting Officer;

• The audited Annual Financial Statements to be included in the Annual Report;

• Reviewed the Auditor-General's management letter and management's response thereto; and

• Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Overall Observation and Conclusion

The municipality is a defendant in number of cases and in a particular the PIC Loan which represent the biggest chunk of contingent liabilities. This matter jeopardises the ability of the municipality to continue on foreseeable future including the cash flow constraints experienced for the year under review.

The Audit Committee appreciates that the municipality has established Revenue Enhancement Strategy Committee consisting of multiple role-players chaired by the Accounting Officer on a monthly basis. This Committee will go a long way if supported by the Political Principals including all councillors to ensure that it comes to fruition.

Appreciation

The Audit Committee expresses its sincere appreciation to the Offices of the Executive Mayor, the Speaker, the Chief Whip, Municipal Manager, Management and all officials for their unwavering support and interest in the activities of the Committee during the year under review. The advice and support of other stakeholders such as the Internal Audit function, Auditor General South Africa, Provincial Treasury and the Provincial Department: Local Government and Human Settlement is also acknowledged in pursuing the interest of effective Corporate Governance and clean audit outcomes within the municipality.

We extend our gratitude to the Internal Audit unit for their efforts during the year despite resources constraints and other frustrations they might have encountered. The Audit Committee remains confident of the matters raised in this report receiving due consideration and intervention by the new Council. We are committed to fully execute our oversight function and in strengthening Corporate Governance.

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Chairperson of the Audit Committee

Date: __________________________

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2017.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had a deficits of R 685,492,831 and that the municipality's total currect liabilities exceed its current assets by R 147,971,943.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

Mr M. Maluleka was appointed as the Chief Financial Officer and Ms Y Mothibi was appointed as the Risk Manager

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

7. Bankers

The municipality banks primarily with FNB.

8. Auditors

Auditor General will continue in office for the next financial period.

MADIBENG LOCAL MUNICIPALITY
Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Other financial assets	6	3,748,495	3,458,644
Receivables from non-exchange transactions	9	230,248,953	110,899,787
Inventories	8	12,869,184	14,884,222
Receivables from exchange transactions	11	376,530,512	196,385,364
Cash and cash equivalents	12	27,608,840	69,155,149
Pre-payments		3,741,588	4,172,166
		654,747,572	**398,955,332**
Non-Current Assets			
Investment property	3	300,653,000	260,791,500
Property, plant and equipment	4	5,785,894,534	6,121,337,804
Heritage assets	5	10,100	10,100
Other financial assets	6	12,775,129	12,642,807
		6,099,332,763	**6,394,782,211**
Non-Current Assets		6,099,332,763	6,394,782,211
Current Assets		654,747,572	398,955,332
Total Assets		**6,754,080,335**	**6,793,737,543**
Liabilities			
Current Liabilities			
Finance lease obligation	14	4,470,343	2,955,720
Unspent conditional grants and receipts	15	326,637	361,054
Payables from exchange transactions	17	593,762,702	456,115,046
Payables from non-exchage transactions	18	34,881,891	40,444,634
VAT payable		52,381,612	9,698,515
Consumer deposits	20	13,945,186	13,221,978
		699,768,371	**522,796,947**
Non-Current Liabilities			
Employee benefit obligation	7	185,983,322	161,837,845
Public Investment Corporation	13	986,722,759	873,282,857
Finance lease obligation	14	1,246,512	6,587,158
Provisions	16	17,895,845	16,240,535
		1,191,848,438	**1,057,948,395**
Non-Current Liabilities		1,191,848,438	1,057,948,395
Current Liabilities		699,768,371	522,796,947
Total Liabilities		**1,891,616,809**	**1,580,745,342**
Assets		6,754,080,335	6,793,737,543
Liabilities		(1,891,616,809)	(1,580,745,342)
Net Assets		**4,862,463,526**	**5,212,992,201**
Accumulated surplus		4,862,463,526	5,212,992,201

* See Note 44

MADIBENG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	684,074,549	636,886,779
Other income	25	9,778,220	12,772,904
Rental of facilities and equipment	36	1,242,807	1,019,988
Interest received (trading)		95,353,921	60,938,970
Licences and permits		6,229,320	5,923,109
Commissions received	37	11,455,654	10,273,935
Interest received - investment	30	4,300,846	7,717,414
Total revenue from exchange transactions		**812,435,317**	**735,533,099**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	296,045,962	292,796,357
Transfer revenue			
Government grants & subsidies	24	767,763,417	739,259,985
Fines, Penalties and Forfeits		2,992,204	2,900,316
Total revenue from non-exchange transactions		**1,066,801,583**	**1,034,956,658**
		812,435,317	735,533,099
		1,066,801,583	1,034,956,658
Total revenue	21	**1,879,236,900**	**1,770,489,757**
Expenditure			
Repairs and maintenance	34	(122,068,563)	(112,585,383)
Employee related costs	27	(392,301,866)	(358,843,835)
Remuneration of councillors	28	(25,455,611)	(23,727,463)
Debt Impairment	29	(157,979,102)	(228,753,421)
Depreciation and amortisation	32	(458,567,789)	(464,355,696)
Impairment loss	33	(384,298)	(19,330,166)
Finance costs	34	(131,937,107)	(115,680,031)
Lease rentals on operating lease		(5,893,381)	(21,281,388)
Bulk purchases	39	(452,876,346)	(472,483,691)
Contracted services	38	(259,308,323)	(129,644,070)
Transfers and Subsidies		(20,819,232)	(22,609,653)
General Expenses	26	(110,096,849)	(164,136,351)
Total expenditure		**(2,137,688,467)**	**(2,133,431,148)**
		-	-
Total revenue		1,879,236,900	1,770,489,757
Total expenditure		(2,137,688,467)	(2,133,431,148)
Operating deficit		**(258,451,567)**	**(362,941,391)**
Loss on assets written off		(129,135,441)	(132,127,780)
Actuarial gain/(loss) on post employment benefits		(3,016,953)	(1,782,810)
Fair value adjustments	31	40,075,280	(10,384,161)
Gain (loss) on provision for landfill closure		-	4,425,550
		(92,077,114)	**(139,869,201)**
Operating surplus/deficit		(92,077,114)	(139,869,201)
Deficit before taxation		(350,528,681)	(502,810,592)
Taxation		-	-
Deficit for the year		**(350,528,681)**	**(502,810,592)**

* See Note 44

MADIBENG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,746,834,834	5,746,834,834
Adjustments		
Prior year adjustments	(31,032,041)	(31,032,041)
Balance at July 1, 2015 as restated*	**5,715,802,793**	**5,715,802,793**
Changes in net assets		
Deficit for the year	(502,810,592)	(502,810,592)
Total changes	(502,810,592)	(502,810,592)
Restated* Balance at July 1, 2016	**5,212,992,207**	**5,212,992,207**
Changes in net assets		
Deficit for the year	(350,528,681)	(350,528,681)
Total changes	(350,528,681)	(350,528,681)
Balance at June 30, 2017	**4,862,463,526**	**4,862,463,526**

* See Note 44

MADIBENG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		989,931,437	733,872,417
Grants		767,729,000	738,870,066
Interest income		4,300,846	7,717,414
Other receipts		9,778,220	13,551,814
		1,771,739,503	1,494,011,711
Payments			
Employee costs		(416,461,139)	(382,571,298)
Suppliers		(1,145,166,800)	(814,362,689)
Finance costs		(10)	(243)
		(1,561,627,949)	(1,196,934,230)
Total receipts		1,771,739,503	1,494,011,711
Total payments		(1,561,627,949)	(1,196,934,230)
Net cash flows from operating activities	40	**210,111,554**	**297,077,481**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(252,614,260)	(289,000,262)
Movement in investments		(132,322)	(186,431)
Net cash flows from investing activities		**(252,746,582)**	**(289,186,693)**
Cash flows from financing activities			
Finance lease payments		(5,140,601)	(3,628,619)
Finance lease receipts		6,229,320	5,935,441
Net cash flows from financing activities		**1,088,719**	**2,306,822**
Net increase/(decrease) in cash and cash equivalents		**(41,546,309)**	**10,197,610**
Cash and cash equivalents at the beginning of the year		69,155,149	58,957,539
Cash and cash equivalents at the end of the year	12	**27,608,840**	**69,155,149**

* See Note 44

MADIBENG LOCAL MUNICIPALITY
Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	677,834,000	(29,400,000)	**648,434,000**	684,074,549	**35,640,549**	APPENDIXE1
Rental of facilities and equipment	1,755,000	-	**1,755,000**	1,242,807	**(512,193)**	APPENDIXE1
Interest received (trading)	70,000,000	-	**70,000,000**	95,353,921	**25,353,921**	APPENDIXE1
Licences and permits	3,400,000	-	**3,400,000**	6,229,320	**2,829,320**	APPENDIX1
Commissions received	6,530,000	-	**6,530,000**	11,455,654	**4,925,654**	APPENDIX1
Other income	16,986,000	(530)	**16,985,470**	9,778,220	**(7,207,250)**	APPENDIX1
Interest received - investment	7,600,000	-	**7,600,000**	4,300,846	**(3,299,154)**	APPENDIXE1
Total revenue from exchange transactions	**784,105,000**	**(29,400,530)**	**754,704,470**	**812,435,317**	**57,730,847**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	294,576,000	(87,000)	**294,489,000**	296,045,962	**1,556,962**	APPENDIXE1
Transfer revenue						
Government grants & subsidies	515,319,000	-	**515,319,000**	767,763,417	**252,444,417**	APPENDIXE1
Fines, Penalties and Forfeits	530,000	-	**530,000**	2,992,204	**2,462,204**	APPENDIXE1
Total revenue from non-exchange transactions	**810,425,000**	**(87,000)**	**810,338,000**	**1,066,801,583**	**256,463,583**	
'Total revenue from exchange transactions'	784,105,000	(29,400,530)	**754,704,470**	812,435,317	**57,730,847**	
'Total revenue from non-exchange transactions'	810,425,000	(87,000)	**810,338,000**	1,066,801,583	**256,463,583**	
Expenditure						
Personnel	(370,680,000)	-	**(370,680,000)**	(392,301,866)	**(21,621,866)**	APPENDIXE1
Remuneration of councillors	(29,000,000)	2,579,469	**(26,420,531)**	(25,455,611)	**964,920**	APPENDIXE1
Depreciation and amortisation	(87,370,000)	-	**(87,370,000)**	(458,567,789)	**(371,197,789)**	APPENDIXE1
Impairment loss/ Reversal of impairments	-	-	**-**	(384,298)	**(384,298)**	
Finance costs	(10,000,000)	10,000,000	**-**	(131,937,107)	**(131,937,107)**	APPENDIXE1
Lease rentals on operating lease	-	-	**-**	(5,893,381)	**(5,893,381)**	APPENDIXE1
Debt Impairment	(201,000,000)	-	**(201,000,000)**	(157,979,102)	**43,020,898**	APPENDIXE1
Repairs and maintenance	(80,943,000)	3,681,500	**(77,261,500)**	(122,068,563)	**(44,807,063)**	APPENDIXE1
Bulk purchases	(515,000,000)	3,000,000	**(512,000,000)**	(452,876,346)	**59,123,654**	APPENDIXE1
Contracted Services	(146,250,000)	361,054	**(145,888,946)**	(259,308,323)	**(113,419,377)**	APPENDIXE1
Transfers and Subsidies	(25,000,000)	5,000,000	**(20,000,000)**	(20,819,232)	**(819,232)**	APPENDIXE1
General Expenses	(117,608,000)	3,290,554	**(114,317,446)**	(110,096,849)	**4,220,597**	APPENDIXE1
Total expenditure	**(1,582,851,000)**	**27,912,577**	**(1,554,938,423)**	**(2,137,688,467)**	**(582,750,044)**	
	1,594,530,000	(29,487,530)	**1,565,042,470**	1,879,236,900	**314,194,430**	
	(1,582,851,000)	27,912,577	**(1,554,938,423)**	(2,137,688,467)	**(582,750,044)**	
Operating (deficit)/surplus	**11,679,000**	**(1,574,953)**	**10,104,047**	**(258,451,567)**	**(268,555,614)**	
Loss on assets written off	-	-	**-**	(129,135,441)	**(129,135,441)**	
Acturial gains/(loss) on post employment benefits	-	-	**-**	(3,016,953)	**(3,016,953)**	

MADIBENG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Fair value adjustments	-	-	**-**	40,075,280	**40,075,280**	
	-	**-**	**-**	**(92,077,114)**	**(92,077,114)**	
	11,679,000	(1,574,953)	**10,104,047**	(258,451,567)	**(268,555,614)**	
	-	-	**-**	(92,077,114)	**(92,077,114)**	
Surplus/(deficit)	**11,679,000**	**(1,574,953)**	**10,104,047**	**(350,528,681)**	**(360,632,728)**	
Surplus before taxation	11,679,000	(1,574,953)	**10,104,047**	(350,528,681)	**(360,632,728)**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**11,679,000**	**(1,574,953)**	**10,104,047**	**(350,528,681)**	**(360,632,728)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	7,078,839	-	**7,078,839**	12,869,184	**5,790,345**	
Other financial assets	56,241,807	-	**56,241,807**	3,748,495	**(52,493,312)**	APPENDIXE1
Receivables from non-exchange transactions	8,258,645	-	**8,258,645**	230,248,953	**221,990,308**	APPENDIXE1
Pre-payments	-	-	**-**	3,741,588	**3,741,588**	APPENDIXE1
Consumer debtors	241,500,000	-	**241,500,000**	376,530,512	**135,030,512**	APPENDIXE1
Cash and cash equivalents	34,125,000	(17,000,000)	**17,125,000**	27,608,840	**10,483,840**	
	347,204,291	**(17,000,000)**	**330,204,291**	**654,747,572**	**324,543,281**	
Non-Current Assets						
Investment property	93,000,000	-	**93,000,000**	300,653,000	**207,653,000**	
Property, plant and equipment	6,900,000,000	-	**6,900,000,000**	5,785,894,534	**(1,114,105,466)**	
Heritage assets	10,100	-	**10,100**	10,100	**-**	
Other financial assets	13,150,000	-	**13,150,000**	12,775,129	**(374,871)**	
	7,006,160,100	**-**	**7,006,160,100**	**6,099,332,763**	**(906,827,337)**	
Non-Current Assets	347,204,291	(17,000,000)	**330,204,291**	654,747,572	**324,543,281**	
Current Assets	7,006,160,100	-	**7,006,160,100**	6,099,332,763	**(906,827,337)**	
Total Assets	**7,353,364,391**	**(17,000,000)**	**7,336,364,391**	**6,754,080,335**	**(582,284,056)**	
Liabilities						
Current Liabilities						
Finance lease obligation	1,925,824	-	**1,925,824**	4,470,343	**2,544,519**	
Payables from exchange transactions	183,000,000	(17,000,000)	**166,000,000**	593,762,707	**427,762,707**	
Taxes and transfers payable (non-exchange)	-	-	**-**	34,881,891	**34,881,891**	
VAT payable	-	-	**-**	52,381,612	**52,381,612**	
Consumer deposits	27,130,250	-	**27,130,250**	13,945,186	**(13,185,064)**	
Unspent conditional grants and receipts	-	-	**-**	326,637	**326,637**	APPENDIXE1
	212,056,074	**(17,000,000)**	**195,056,074**	**699,768,376**	**504,712,302**	
Non-Current Liabilities						
Public Investment Corporation	555,000,000	-	**555,000,000**	986,722,759	**431,722,759**	
Finance lease obligation	-	-	**-**	1,246,512	**1,246,512**	
Employee benefit obligation	-	-	**-**	185,983,322	**185,983,322**	
Provisions	102,400,000	-	**102,400,000**	17,895,845	**(84,504,155)**	APPENDIXE1
	657,400,000	**-**	**657,400,000**	**1,191,848,438**	**534,448,438**	
	212,056,074	(17,000,000)	**195,056,074**	699,768,376	**504,712,302**	
	657,400,000	-	**657,400,000**	1,191,848,438	**534,448,438**	
	-	-	**-**	-	**-**	
Total Liabilities	**869,456,074**	**(17,000,000)**	**852,456,074**	**1,891,616,814**	**1,039,160,740**	
Assets	7,353,364,391	(17,000,000)	**7,336,364,391**	6,754,080,335	**(582,284,056)**	
Liabilities	(869,456,074)	17,000,000	**(852,456,074)**	(1,891,616,814)	**(1,039,160,740)**	
Net Assets	**6,483,908,317**	**-**	**6,483,908,317**	**4,862,463,521**	**(1,621,444,796)**	

MADIBENG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6,483,908,317	-	**6,483,908,317**	4,862,463,521	**(1,621,444,796)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise..

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The annual financial statements have been rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgement include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis for amount due to the municipality, significant financial difficulties of the recivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in note 26.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for debt impairment

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The recoverability percentage on receivables is calculated annually per receivables category.

Accounting Policies

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.
The municipality separatly disclose expenditure to repairs and maintainance of Investment property in the notes to the annual financial statements(see note 2)
The municipality discoses revelant information relating to assets under construction or development, in the notes to the annual financial statements(see note 2)

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

Accounting Policies

1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Accounting Policies

1.5 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 - 80 years
Plant and machinery	Straight line	5 - 17 years
Furniture and fixtures	Straight line	5 - 17 years
Motor vehicles	Straight line	5 -15 years
Office equipment	Straight line	3 - 12 years
Computer equipment	Straight line	3 - 12 years
Bins and Containers	Straight line	7 - 15 years
Infrastructure		
Road surface layers	Straight line	7 - 50 years
Road structural layers	Straight line	7 - 50 years
Bridges	Straight line	60 - 80 years
Culverts	Straight line	15 years
Storm water	Straight line	50 - 80 years
Electricity	Straight line	30 - 50 years
Water assets	Straight line	40 - 80 years
Sewer pipes	Straight line	80 years
Community		
Buildings	Straight line	30 - 50 years
Sports fields	Straight line	7 - 15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, intangible assets are initially measured cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.7 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Accounting Policies

1.8 Heritage assets

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Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 4 - Heritage assets.

Heritage assets are initially measured at cost..

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.9 Financial instruments

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivable from exchange transactions	Financial asset measured at amortised cost
Receivable from non-exhange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payable from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Payables from non-exhange transaction	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Unspent grants	Financial liability measured at fair value

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Short term receivables and payables are not discounted where the initial credit period granted or received is consistent with the terms in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in uses of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow.

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such aswages,salaries,social security contributions, paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- As an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money.

1.14 Employee benefits (continued)

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

1.14 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

1.14 Employee benefits (continued)

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- Estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those
- terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit
- plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality has an obligation to provide long service allowance benefits to all of its employees.

The municipality’s liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.15 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and dividends

Revenue arising from the use by others of municipality assets yielding interest is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year note 44.

1.22 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of ‘‘allocation’’ otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.
Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance:
'

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.25 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.Disclosures are required in respect of unrecognised contractual commitments.
Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

Refer to note 41

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2016 to Friday, June 30, 2017.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.27 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure. Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in ordinary course of business are diclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.30 Value-added tax

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.
Revenue, expenses and assets are recognised net of the amounts of value added tax. Value added tax is accounted for using the payment basis.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after April 1, 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after April 1, 2018

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB’s Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after April 1, 2018.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Figures in Rand	2017	2016

3. Investment property

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	300,653,000	-	300,653,000	260,791,500	-	260,791,500

Reconciliation of investment property - 2017

	Opening balance	Difference	**Total**
Investment property	260,791,500	**39,861,500**	300,653,000

Reconciliation of investment property - 2016

	Opening balance	**Fair value adjustments**	**Total**
Investment property	271,874,000	(11,082,500)	260,791,500

The investment property as fair valued by an independent valuator. The fair value of investment property was assessed at the end of the financial year and the significant changes in the fair value of the properties was adjusted.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

Income and Expenditure

Rental income	1,242,806	1,014,673

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	861,863,658	-	861,863,658	883,521,273	-	883,521,273
Buildings	130,613,039	(24,957,990)	105,655,049	130,613,039	(20,772,981)	109,840,058
Infrastructure	7,149,621,862	(3,330,673,483)	3,818,948,379	7,195,424,602	(2,942,845,241)	4,252,579,361
Community	200,625,932	(26,679,957)	173,945,975	193,361,869	(20,172,184)	173,189,685
Work in progress	779,137,214	-	779,137,214	654,234,673	-	654,234,673
Other property, plant and equipment	87,050,361	(40,706,102)	46,344,259	78,397,206	(30,424,452)	47,972,754
Total	**9,208,912,066**	**(3,423,017,532)**	**5,785,894,534**	**9,135,552,662**	**(3,014,214,858)**	**6,121,337,804**

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Additions**	**Transfers received**	**Assets written off**	**Depreciation**	**Impairment loss**	**Total**
Land	883,521,273	-	-	(21,657,615)	-	-	861,863,658
Buildings	109,840,058	-	-	-	(4,185,009)	-	105,655,049
Infrastructure	4,252,579,361	-	49,444,011	(45,127,336)	(437,563,359)	(384,298)	3,818,948,379
Community	173,189,685	-	7,264,062	-	(6,507,772)	-	173,945,975
Work in progress	654,234,673	243,961,105	(56,708,074)	(62,350,490)	-	-	779,137,214
Other property, plant and equipment	47,972,754	8,653,155	-	-	(10,281,650)	-	46,344,259
	6,121,337,804	**252,614,260**	**(1)**	**(129,135,441)**	**(458,537,790)**	**(384,298)**	**5,785,894,534**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other Movements	Depreciation	Impairment loss	Total
Land	883,521,273	-	-	-	-	-	-	883,521,273
Buildings	114,036,532	-	-	-	-	(4,196,474)	-	109,840,058
Infrastructure	4,741,293,900	-	(132,127,780)	110,988,749	-	(448,245,343)	(19,330,165)	4,252,579,361
Community	147,605,690	-	-	31,241,985	-	(5,657,990)	-	173,189,685
Work in progress	528,830,020	274,766,406	-	(142,230,663)	(7,131,090)	-	-	654,234,673
Other property, plant and equipment	39,994,788	14,233,856	-	-	-	(6,255,890)	-	47,972,754
	6,455,282,203	**289,000,262**	**(132,127,780)**	**71**	**(7,131,090)**	**(464,355,697)**	**(19,330,165)**	**6,121,337,804**

5. Heritage assets

	2017			2016		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	10,100	-	10,100	10,100	-	10,100

Reconciliation of heritage assets 2017

	Opening balance	Total
Art Collections, antiquities and exhibits	10,100	10,100

Reconciliation of heritage assets 2016

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

5. Heritage assets (continued)

	Opening balance	Total
Art Collections, antiquities and exhibits	10,100	10,100

6. Other financial assets

	2017	2016
Designated at fair value		
Listed shares	1,760,656	2,044,594
Unit trusts	9,332,177	8,915,917
Other investments	5,430,791	5,140,940
	16,523,624	**16,101,451**
	16,523,624	16,101,451
	-	-
	-	-
Non-current assets		
Fair value	12,775,129	12,642,807
Current assets		
Fair value	3,748,495	3,458,644
Non-current assets	12,775,129	12,642,807
Current assets	3,748,495	3,458,644
	16,523,624	**16,101,451**

7. Employee benefit obligations

Post employment medical aid plan

The municipality offers employee and continuation member opportunity of belonging to one of the several medical aid scheme, most of which offer a range of options partaining to levels of cover.

Upon retirement, an employee continues membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
Opening balance	142,453,415	127,288,631
Benefits paid	(2,732,462)	(2,597,832)
Net expense recognised in the statement of financial performance	26,115,389	17,762,616
	165,836,342	**142,453,415**

Net expense recognised in the statement of financial performance

	2017	2016
Current service cost	8,340,283	7,593,604
Interest cost	13,797,670	11,401,427
Actuarial (gains) losses	3,977,436	(1,232,415)
	26,115,389	**17,762,616**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Key assumptions used

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9,84% per annum has been used. The corresponding medical inflation rate of 9.29%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2017.

The rate is calculated by using a weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the JSE (Best Decency) Zero Coupon bond yield curve at that component's liability-weighted average duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 9.29% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 7.79%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.50% which derives from ((1+9.84%)/(1+9.29%))-1.

The expected inflation assumption of 7.79% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities and those of fixed interest bonds (9.84%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases.

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Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

Long services Award

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	19,384,537	16,699,309
Benefits paid	(2,087,413)	(1,164,948)
Net expense recognised in the statement of financial performance	2,849,964	3,850,176
	20,147,088	**19,384,537**

Net expense recognised in the statement of financial performance

Current service cost	2,080,810	1,732,883
Interest cost	1,729,636	1,314,863
Actuarial (gains) losses	(960,482)	802,430
	2,849,964	**3,850,176**

Key assumptions used

In estimating the unfunded liability for LSA of the Municipality a number of actuarial assumptions are required. The GRAP 25 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA– this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The key financial and demographic assumptions are summarised below:

Discount rates used	9.95 %	9.43 %
Expected rate of return on assets	6.24 %	7.55 %
Expected rate of return on reimbursement rights	0.83 %	0.98 %

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 9.43% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. These rate do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2017.

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee’s salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

7. Employee benefit obligations (continued)

The expected inflation assumption of 6.16% was obtained from the differential between market yields on index-linked bonds (1.41%) consistent with the estimated terms of the liabilities and those of nominal bonds (9.43%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.15%-0.50%)/(1+1.41%))-1.

Thus, a general salary inflation rate of 7.36% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.98%.

It has been assumed that the next salary increase will take place on 1 July 2018.

8. Inventories

Consumable stores	12,371,512	14,386,550
Water	487,354	487,354
Unsold Properties Held for Resale	10,318	10,318
	12,869,184	**14,884,222**

9. Receivables from non-exchange transactions

Fines	9,625,010	6,456,030
Rates	538,084,120	453,050,376
Income receipted	6,225,717	220,649
Allowance for impairment	(323,685,894)	(348,827,268)
	230,248,953	**110,899,787**

Receipted income not recived, this income was receipted on the Debtors account without being received on the bank statement of the municpality.

Rates		
Current (0 -30 days)	86,307,913	27,959,759
31 - 60 days	12,085,104	19,461,315
61 - 90 days	14,462,350	13,462,009
> 90 days	396,141,381	397,628,767
Allowance for debt impairment	(407,826,942)	(348,827,269)
	101,169,806	**109,684,581**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(348,827,269)	(320,398,131)
Allowance for impairment	(58,999,674)	(28,429,138)
	(407,826,943)	**(348,827,269)**

10. VAT receivable

11. Receivables from exchange transactions

Gross balances		
Electricity	283,568,655	163,526,204
Water	322,195,123	230,533,433
Sewerage	97,852,051	74,169,775
Refuse	86,772,063	67,257,986
Other	492,401,252	379,293,515
	1,282,789,144	**914,780,913**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(137,565,375)	(149,929,558)
Water	(258,618,760)	(175,187,783)
Sewerage	(78,429,062)	(56,039,498)
Refuse	(68,123,591)	(52,609,872)
Other	(363,521,844)	(284,628,838)
	(906,258,632)	**(718,395,549)**

Net balance		
Electricity	146,003,280	13,596,646
Water	63,576,363	55,345,650
Sewerage	19,422,989	18,130,277
Refuse	18,648,472	14,648,114
Other	128,879,408	94,664,677
	376,530,512	**196,385,364**

Electricity		
Current (0 -30 days)	48,352,192	44,618,081
31 - 60 days	12,607,675	17,332,468
61 - 90 days	11,163,456	12,792,270
> 90 days	211,445,332	88,783,385
Provision for debt impairment	(137,565,375)	(149,929,558)
	146,003,280	**13,596,646**

Water		
Current (0 -30 days)	51,480,801	13,912,812
31 - 60 days	14,797,460	10,650,340
61 - 90 days	13,846,590	12,145,413
> 90 days	242,070,272	193,824,868
Provision for debt impairment	(258,618,760)	(175,187,783)
	63,576,363	**55,345,650**

Sewerage		
Current (0 -30 days)	1,679,161	3,793,205
31 - 60 days	4,530,430	2,530,510
61 - 90 days	3,506,982	3,092,047
> 90 days	88,135,478	64,754,013
Provision for debt impairment	(78,429,062)	(56,039,498)
	19,422,989	**18,130,277**

Refuse		
Current (0 -30 days)	5,999,923	2,347,543
31 - 60 days	2,483,476	1,801,909
61 - 90 days	2,083,641	1,451,350
> 90 days	76,205,023	61,657,184
Provision for debt impairment	(68,123,591)	(52,609,872)
	18,648,472	**14,648,114**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Receivables from exchange transactions (continued)

Other (specify)		
Current (0 -30 days)	41,459,698	6,421,332
31 - 60 days	16,598,778	5,627,114
61 - 90 days	14,836,954	5,503,363
> 90 days	419,505,822	361,741,705
Provision for debt impairment	(363,521,844)	(284,628,837)
	128,879,408	**94,664,677**

Reconciliation of allowance for impairment		
Contributions to allowance	(718,395,549)	(587,583,400)
Debt impairment written off against allowance	(187,863,083)	(130,812,149)
	(906,258,632)	**(718,395,549)**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	70,992	35,834
Bank balances	26,506,482	19,141,956
Short-term deposits	1,031,366	49,977,359
	27,608,840	**69,155,149**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
ABSA Bank Cheque Account-640000376	1,495,305	3,576,250	23,080,611	19,452,256	(10,849,664)	29,758,560
ABSA Bank Cheque Account	-	-	-	161,960	151,174	174,029
ABSA Bank Cheque Account (Top Structure housing) - 4052683765	8,404	-	2,484	3,012	3,012	3,012
ABSA Bank Cheque Account (ODI) - 4054697853	157,745	-	-	(28,346)	171,654	-
ABSA Bank Cheque Account (Licenses) - 4052379233	100,571	-	3,101,145	223,809	1,941,487	5,458,332
FNB Main - 62547261602	2,359,795	24,338,817	-	4,806,028	25,795,920	-
FNB water - 62457274423	-	-	-	2,908,218	(1,319,872)	-
FNB licensing 62547623103	46,036	-	-	26,309	3,181,702	-
Standard Bank Call Account-38453622002	-	899,997	857,076	-	857,086	857,076
Traffic FNB	-	-	-	-	42,911	-
Standard Bank Call Account-38443622002	-	4,540	4,452	64,492	4,540	4,452
ABSA Bank Call Account	-	-	2,989,698	-	-	2,989,698
ABSA Bank Call Account	-	-	119,924	-	-	119,924
Investec Capital Markets(1400189013500)	953,386	891,325	837,990	953,386	891,325	837,990
ABSA Bank Call Account	-	-	90,866	-	-	90,866
ABSA Bank Call Account	-	-	-	-	-	4,798,861
ABSA Bank Call Account	-	-	607,141	-	-	607,141
ABSA Bank Call Account	-	-	436,099	62,061	-	436,099
ABSA Bank Call Account	-	-	27,772	-	-	27,772
ABSA Bank Call Account	-	-	990,551	-	-	990,551
ABSA Bank Call Account	-	-	150,011	154,558	-	150,011
ABSA Bank Call Account	-	-	287,659	-	-	287,659
ABSA Bank Call Account	-	-	72,547	51,887	40,375	72,547
ABSA Bank Call Account	-	-	37,150	-	-	37,150
ABSA Bank Call Account	-	-	134,288	-	-	134,288
ABSA Bank Call Account	-	-	69,518	-	-	69,518
ABSA Bank Call Account	-	-	56,507	-	-	56,507
Standard Bank	-	66,685	66,685	-	66,685	66,685
ABSA Bank Call Account	-	-	7,310,187	-	-	7,310,187
ABSA Bank Call Account	-	-	56,190	-	-	56,190
ABSA Bank Call Account	-	-	3,390,780	-	-	3,390,780
FNB Call Account - MIG 62576598323	18,005	3,337,872	-	18,005	3,337,872	-
FNB Call Account - FMG 62550510153	5,990	139,082	-	5,990	139,082	-
FNB Call Account - DWAF 62550511424	9,507	17,345,337	-	9,507	17,345,337	-
FNB Call Account - MSIG 62550504263	2,671	2,503	-	2,671	2,503	-
FNB Call Account - INEP 62559313003	16,103	1,407,476	-	16,103	1,407,476	-
FNB Call Account - EPWP 62564478016	3,202	2,313,497	-	3,202	2,313,497	-
FNB Call Account - EQS 62564475210	5,128	90,928	-	5,128	90,928	-
FNB Call Investment 62564473941	352	3,006,763	-	352	3,006,763	-

Notes to the Annual Financial Statements

Figures in Rand					2017	2016

12. Cash and cash equivalents (continued)

FNB Call Account - MIG Retention 62564479585	17,021	20,538,041	-	17,021	20,538,041	-
Total	**5,199,221**	**77,959,113**	**44,777,331**	**28,917,609**	**69,159,834**	**58,785,885**

13. Public Investment Corporation

	2017	2016
At amortised cost		
Public Investment Corporation (PIC)	986,722,759	873,282,857
Non-current liabilities		
Public Investment Corporation (PIC)	986,722,759	873,282,857

Defaults and breaches

A loan to Public Investment Corporation with carrying amount of R 986 722 759- (2016: R 873 282 857-) was in default as a result of not meeting capital repayment requirements as it is under litigation.

14. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	5,654,662	5,140,602
- in second to fifth year inclusive	1,390,435	7,045,098
	7,045,097	12,185,700
less: future finance charges	(1,328,243)	(2,642,822)
Present value of minimum lease payments	**5,716,854**	**9,542,878**
Present value of minimum lease payments due		
- within one year	-	3,826,024
- in second to fifth year inclusive	-	5,716,854
	-	**9,542,878**
Non-current liabilities	1,246,512	6,587,158
Current liabilities	4,470,343	2,955,720
	5,716,855	**9,542,878**

The average lease term is 3 years and the average effective borrowing rate was 10% (2017: 10%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Library Grant	326,637	361,054
Movement during the year		
Balance at the beginning of the year	361,054	3,384,039
Additions during the year	264,681,000	296,339,000
Income recognition during the year	(264,715,417)	(299,361,985)
	326,637	**361,054**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

15. Unspent conditional grants and receipts (continued)

The municipality has complied with all the conditions set by the transferring organ of State or the conditions set by the other institutions who made allocations to the municipality. The unspent portion of conditional allocations are disclosed as unspent conditional grants on the face value of the Statement of Financial Position of the municipality.

See note 24 for reconciliation of grants.

These amounts are invested in a ring-fenced investment until utilised.

16. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Provision for the restoration of landfil site	16,240,535	1,655,310	17,895,845

Reconciliation of provisions - 2016

	Opening Balance	Interest charge	Change in provision for landfill closure	Total
Provision for the restoration of landfil site	17,154,826	1,298,484	(2,212,775)	16,240,535

Key financial assumptions used for the valuation of the closure costs for the Hartebeesfontein landfill site are as follow:

CPI	7.77%	7.77%
Discount rate	8,32%	8.32%
Nett effective discount rate	0.55%	0.55%

It is estimated that the landfill site has a remaining useful life of 5 years.

Environmental rehabilitation provision

The estimate is in respect of the landfill site currently in operation. The landfill site needs to be rehabilitated in 2022.

17. Payables from exchange transactions

Trade payables	312,309,642	300,727,444
Payments received in advanced	219,096,129	95,967,152
Retentions	50,627,389	44,678,017
Unallocated deposits	9,945,817	9,945,817
Other payables	1,783,725	4,796,616
	593,762,702	**456,115,046**

18. Payables from non-exchange transactions

Accrued bonus	7,768,998	6,405,069
Accrued leave pay	27,103,089	23,167,307
Salaries third party payments	9,804	10,872,258
	34,881,891	**40,444,634**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Financial instruments disclosure

20. Consumer deposits

Consumer deposits	13,945,186	13,221,978

21. Revenue

Service charges	684,074,549	636,886,779
Rental of facilities and equipment	1,242,807	1,019,988
Interest received (trading)	95,353,921	60,938,970
Licences and permits	6,229,320	5,923,109
Commissions received	11,455,654	10,273,935
Other income	9,778,220	12,772,904
Interest received - investment	4,300,846	7,717,414
Property rates	296,045,962	292,796,357
Government grants & subsidies	767,763,417	739,259,985
Fines, Penalties and Forfeits	2,992,204	2,900,316
	1,879,236,900	**1,770,489,757**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	684,074,549	636,886,779
Rental of facilities and equipment	1,242,807	1,019,988
Interest received (trading)	95,353,921	60,938,970
Licences and permits	6,229,320	5,923,109
Commissions received	11,455,654	10,273,935
Other income	9,778,220	12,772,904
Interest received - investment	4,300,846	7,717,414
	812,435,317	**735,533,099**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	296,045,962	292,796,357
Transfer revenue		
Government grants and subsidies	767,763,417	739,259,985
Fines, Penalties and Forfeits	2,992,204	2,900,316
	1,066,801,583	**1,034,956,658**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Property rates

Rates received

Residential	174,226,863	92,260,995
Commercial	71,907,519	145,923,376
State	36,358,215	35,205,018
Municipal	-	-
Small holdings and farms	13,553,365	19,406,968
	296,045,962	**292,796,357**

Valuations

Residential	21,892,392,224	23,214,232,353
Commercial	5,940,462,923	6,929,560,623
State	2,132,942,300	1,443,269,150
Municipal	1,492,156,150	3,004,375,298
Small holdings and farms	8,862,922,166	5,466,045,442
	40,320,875,763	**40,057,482,866**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 01 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0,011954 (2016: R0,011954) is applied to property valuations to determine assessment rates. Rebates of R20 000 plus 30% additional rabates (2016: R20 000 plus 30%) are granted to residential and 83% plus 60% additional rates (2016: 83% plus 60%) state property owners.

23. Service charges

Sale of electricity	454,532,323	450,534,775
Sale of water	148,909,296	125,247,351
Sewerage and sanitation charges	41,743,853	29,662,131
Refuse removal	38,889,077	31,442,522
	684,074,549	**636,886,779**

24. Government grants and subsidies

Operating grants		
Equitable share	503,048,000	439,898,000
Finance management grant	1,625,000	1,600,000
Municipal system improvement grant	-	930,000
	504,673,000	442,428,000
Capital grants		
Expanded public works programme	1,545,000	2,229,956
Municipal infrastructure grant	248,907,000	234,461,000
Department of water affairs and forestry	-	17,891,792
Intergrated national electrification	11,304,000	21,000,000
Library grants	1,334,417	1,221,237
Municipal water infrastructure grant	-	20,028,000
	263,090,417	296,831,985
	767,763,417	**739,259,985**

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Department of Water Affairs and Forestry

Current-year receipts	-	15,000,000
Conditions met - transferred to revenue	-	(15,000,000)
	-	-

To subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs (DWA) or by other agencies on behalf of the department and transfer these schemes to local government.

Conditions still to be met - remain liabilities (see note 15).

Finance Management Grant

Current-year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
	-	-

This grant is intended to promote and support reforms in financial mangement by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). The conditions of the grant were met. No funds have been withheld.

Municipal Systems Improvement Grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies. The conditions of the grant were met. No funds have been withheld.

Expanded Public Works Programme

Current-year receipts	1,545,000	2,020,000
Conditions met - transferred to revenue	(1,545,000)	(2,020,000)
	-	-

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines.

Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

24. Government grants and subsidies (continued)

Library Grant

Balance unspent at beginning of year	361,054	361,054
Current-year receipts	1,300,000	1,300,000
Conditions met - transferred to revenue	(1,334,417)	(1,300,000)
	326,637	**361,054**

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through arecapitalised programme at provincial level in support of national and local government initiatives.

Conditions still to be met - remain liabilities (see note 15).

Municipal Infrastructure Grant

Current-year receipts	248,907,000	234,461,000
Conditions met - transferred to revenue	(248,907,000)	(234,461,000)
	-	-

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

Conditions still to be met - remain liabilities (see note 15).

Integrated National Electrification Programme

Current-year receipts	11,304,000	21,000,000
Conditions met - transferred to revenue	(11,304,000)	(21,000,000)
	-	-

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. The conditions of the grant were met. No funds have been withheld.

Municipal Water Infrastructure Grant

Current-year receipts	-	20,028,000
Conditions met - transferred to revenue	-	(20,028,000)
	-	-

Conditions still to be met - remain liabilities (see note 15).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

25. Other income

Advertising hoarding	47,675	52,026
Cemetery fees	954,172	940,759
Insurance commision	169,355	2,561,591
Notice fees	2,199,297	1,516,512
Other income	51,661	167,826
Stock Surpluses	164,391	877,647
Street closure	-	3,850
Bulk services	34,345	66,880
Extinguishing fires	29,200	182,251
Clearance certifcates	133,135	124,462
Refuse dumping fees	-	188,012
Assets donations	56,850	615,161
Building plans	905,221	1,359,741
Reconnection fees	3,433,048	1,917,570
Refuse removal departmental sales	270,831	439,942
Service connections	156,811	338,448
Servitude income	246,535	248,964
Tender document fees	438,100	863,795
Town planning	474,110	279,890
Valuation fees	13,483	27,577
	9,778,220	**12,772,904**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

26. General expenses

Advertising	1,399,314	865,666
Auditors remuneration	3,589,239	5,808,395
Bank charges	2,302,333	1,839,766
Consulting and professional fees	1,935,367	37,478,687
Consumables	894,302	1,789,440
Debt collection	321,730	378,897
Course fees	14,684	61,816
Discount allowed	1,539,322	22,684,919
Refreshments	862,683	369,807
Corporate identity	320,352	-
Grant expenses	5,347,613	2,718,096
Insurance	8,088,856	5,893,554
Community development and training	211,070	119,950
MPCC costs	-	419,798
Sport development	125,474	169,185
Geographical information system	1,231,131	393,102
IDP process	12,559	53,662
Marketing	54,538	85,500
Medical expenses	13,600	130,658
Motor vehicle expenses	1,892,690	359,508
Water and electricity	16,666,370	13,835,431
Printing and stationery	2,423,516	2,251,239
Audit committee costs	242,861	243,678
Protective clothing	1,878,494	1,541,660
Subscriptions and membership fees	297,132	153,833
Telephone and fax	9,490,569	5,115,650
Transport - Fuel	-	4,448,426
Training cost	2,655,346	1,318,685
Travel and accomodation	2,976,964	2,318,491
Refuse	480,848	814,748
SALGA	3,647,540	3,125,380
Formalisation of townships	25,000	1,970,049
Licence fees	1,433,196	2,549,568
Stock written off	480,371	102,252
Training levy	3,353,319	3,141,824
Other expenses	95,992	94,842
Attending of meetings and congresses	504,458	326,805
Printing of statements	3,246,154	2,487,506
Proverty alleviation programmes	5,191,057	10,985,512
Social programmes	4,947,331	3,655,671
Ward committees expenses	2,733,000	2,252,851
Mayoral out-reach programme	1,779,723	1,013,175
Chemical cost	7,835,246	11,560,826
Community participation	2,172,243	1,455,559
Compensation insurance	1,956,749	2,123,393
Mobile chemical toilets	3,426,513	3,628,891
	110,096,849	**164,136,351**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. Employee related costs

Acting allowances	7,277,136	6,782,680
Basic	203,014,476	186,759,197
13th cheques	16,667,832	14,783,619
Housing benefits and allowances	1,883,801	1,674,768
Industrial council	108,880	82,998
Leave pay provision charge	14,670,230	11,339,644
Medical aid - company contributions	27,782,636	25,327,176
Overtime payments	41,390,112	38,204,822
Provident and pension fund	53,163,092	49,976,933
Stand by allowances	2,286,370	2,403,295
Transitional allowances	9,486	10,476
Telephone/celephone allowance	279,004	283,428
Travel allowances	22,161,151	19,579,992
UIF	1,607,660	1,634,807
	392,301,866	**358,843,835**

Remuneration of Municipal Manager

Annual remuneration	523,597	2,294,992
Acting allowance ,Travelling allowance ,Subsistence and other allowances	876,804	409,904
Contribution to UIF ,SDL, Medical and Pension Fund	159,154	363,722
	1,559,555	**3,068,618**

The Acting municipal Manager Mr ME Manaka served for the period of 01 July 2016 to 30 June 2017,

Remuneration of Chief Financial Officer

Annual remuneration	527,328	1,001,738
Acting allowance ,Travelling allowance ,Subsistence and other allowances	748,483	203,359
Contribution to UIF ,SDL, Medical and Pension Fund	158,269	129,200
	1,434,080	**1,334,297**

The Acting Chief Financial Officer Mr SF Rikhotso served for the period of 01 July 2016 to 30 June 2017

Remuneration of Chief Operating Officer

Annual remuneration	768,092	1,095,714
Acting allowance ,Travelling allowance ,Subsistence and other allowances	469,651	74,904
Contribution to UIF ,SDL, Medical and Pension Fund	199,073	185,563
	1,436,816	**1,356,181**

Remuneration of Chief Audit Executive

Annual Remuneration	636,000	273,849
Acting allowance ,Travelling allowance ,Subsistence and other allowances	386,903	48,000
Contributions to UIF, Medical and Pension Funds	175,349	56,108
	1,198,252	**377,957**

Remuneration of Director Community Services

Annual remuneration	392,312	1,399,457
Acting allowance ,Travelling allowance ,Subsistence and other allowances	741,983	275,544
Contribution to UIF ,SDL, Medical and Pension Fund	134,864	262,300
	1,269,159	**1,937,301**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. Employee related costs (continued)

The Acting Director of Community Service Ms Mmope served for a period of 01 July 2016 to 30 June 2017

Remuneration of Director Corporate Support services

Annual remuneration	1,577,311	831,093
Acting allowance ,Travelling allowance ,Subsistence and other allowances	999,904	203,556
Contribution to UIF ,SDL, Medical and Pension Fund	160,223	196,507
	2,737,438	**1,231,156**

The Acting Director of Corporate Support Service Mr X Magwala served for a period of 01 July 2016 to 27 January 2017

The Acting Director of Corporate Support Service Mr SNT Mnisi served for a period of 28 January 2016 to 30 June 2017

Remuneration of Director Public Safety

Annual remuneration	831,459	887,620
Acting allowance ,Travelling allowance ,Subsistence and other allowances	1,793,523	203,556
Contribution to UIF ,SDL, Medical and Pension Fund	243,552	131,753
	2,868,534	**1,222,929**

The Director of Public Safety Mr NE Matsena served for a period of 01 July 2016 to 31 December 2017

The Acting Director of Public Safety P Dilinga served for a period of 04 August 2016 to 31 May 2017

Remuneration of Director Infrastructure and Technical Services

Annual remuneration	915,464	1,740,256
Acting allowance ,Travelling allowance ,Subsistence and other allowances	1,533,429	465,865
Contribution to UIF ,SDL, Medical and Pension Fund	266,150	361,293
	2,715,043	**2,567,414**

The Acting Director of Infrastructure and Technical Service MS L Sebedi served for the period of 01 July 2016 to 30 June 2017.

The Director of Infrastructure and Technical Service Mr Lelaka TM resigned 31 December 2016

Remuneration of Director Local Economic development

Annual remuneration	936,260	897,694
Acting allowance ,Travelling allowance ,Subsistence and other allowances	102,379	137,351
Contribution to UIF ,SDL, Medical and Pension Fund	102,805	163,262
	1,141,444	**1,198,307**

The Acting Director of Economic Development Mr FS Lamoa served for a period of 03 October 2016 to 30 June 2017

The Acting Director of Economic Development Mr PWN Nyembe served for a period of 01 July 2016 to 30 September 2016

Remuneration of Director Human Settlement

Annual remuneration	764,277	803,795
Acting allowance ,Travelling allowance ,Subsistence and other allowances	721,978	214,680
Contribution to UIF ,SDL, Medical and Pension Fund	229,912	200,500
	1,716,167	**1,218,975**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

27. Employee related costs (continued)

The Acting Director of Human Settlement Mr BE Moabi served for a period of 01 July 2016 to 31 October 2016

The Acting Director of Human Settlement Mr NP Raphala served for a period of 02 November 2016 to 30 June 2017

28. Remuneration of councillors

Executive mayor	810,953	807,929
Speaker	612,302	650,515
Chief Whip	575,261	611,161
Mayoral committee members	6,410,051	6,709,664
Councillors	17,047,044	14,948,194
	25,455,611	**23,727,463**

29. Debt impairment

Debt impairment	157,979,102	89,729,157
Bad debts written off	-	139,024,264
	157,979,102	**228,753,421**

30. Investment revenue

Interest revenue		
Investments	1,914,634	5,876,080
Bank	2,386,212	1,841,334
	4,300,846	**7,717,414**
	-	-
	4,300,846	7,717,414

31. Fair value adjustments

Investment property (Fair value model)	39,861,500	(11,082,500)
Other financial assets		
• Other financial assets (Fair value)	213,780	698,339
	40,075,280	**(10,384,161)**

32. Depreciation and impairment

Property, plant and equipment	458,567,789	464,355,696

33. Impairment of assets

Impairments		
Property, plant and equipment	384,298	19,330,166

34. Finance costs

Non-current borrowings	113,439,903	100,832,541
Finance leases	1,314,578	832,493
Bank overdraft	10	243
Landfill site	1,655,310	1,298,464
Defined benefit plan	15,527,306	12,716,290
	131,937,107	**115,680,031**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

35. Auditors' remuneration

Fees	3,589,239	5,808,395

36. Rental of facilities and equipment

Premises		
Premises	59,167	1,678
Theatre hire	23,800	26,050
Venue hire	33,652	-
House rent	986,107	796,439
Other Halls rentals	81,212	151,807
	1,183,938	**975,974**
Facilities and equipment		
Rental of facilities	14,295	-
Hawkers stalls rent	44,574	44,014
	58,869	**44,014**
Premises	1,183,938	975,974
Garages and parking	-	-
Facilities and equipment	58,869	44,014
	1,242,807	**1,019,988**

37. Commision received

Commission received		
Amount received for current year	11,455,654	10,273,935

38. Contracted services

Waste removal	36,035,448	23,913,083
Meter readings	1,746,481	2,029,882
Water tankers	33,254,714	13,130,192
Information technology services	54,668,175	22,098,610
Installation of pre-paid electricity meters	-	-
Valuation roll	11,607,555	1,428,310
Pre-paid electricity sales	-	-
Security services	73,535,282	41,020,144
Other contractors	7,660,815	1,753,901
	218,508,470	**105,374,122**

39. Bulk purchases

Electricity	393,356,205	395,799,412
Water	59,520,141	76,684,279
	452,876,346	**472,483,691**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

40. Cash generated from operations

Surplus / (deficit)	(350,528,681)	(502,810,592)
Adjustments for:		
Depreciation and amortisation	458,567,789	464,355,696
Loss on provision for landfill closure	-	(2,212,775)
Finance cost - Landfill closure	1,655,310	1,298,464
Fair value adjustments	(40,075,280)	10,384,161
Finance costs - Finance leases	1,314,578	832,493
Discount allowed	-	22,684,919
Impairment deficit	384,298	19,330,166
Debt impairment	157,979,102	228,753,421
Movement in post employee benefit obligation	24,145,477	17,850,012
Interest received (trading)	(84,440,570)	(60,938,970)
Inventory surpluses	-	(877,647)
Finance cost - non cash PIC loan	113,439,903	100,832,541
Assets written off	129,135,441	132,127,780
Inventory written off	480,371	102,252
Changes in working capital:		
Inventories	215,038	4,661,964
Consumer receivable	(155,197,997)	(16,874,150)
Receivable from exchange transactions	180,145,148	8,944,408
Prepayment	(430,578)	(4,172,166)
VAT payable	(42,683,097)	(41,841,068)
Payables from non-exchange transactions	5,562,743	13,623,979
Unspent conditional grants and receipts	(34,417)	(3,022,985)
Other Financial assets	289,851	445,438
Provision	-	(914,291)
Other financial liabilities	(189,812,875)	(95,485,569)
	210,111,554	**297,077,481**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	224,372,063	200,003,358

Not yet contracted for and authorised by Accounting Officer		
• Property, plant and equipment	-	8,307,512

Total capital commitments		
Already contracted for but not provided for	224,372,063	200,003,358
Not yet contracted for and authorised by accounting officer	-	8,307,512
	224,372,063	**208,310,870**

- The comparative firgure for Property ,plant and equipment capital commitment was restated due to ommission of other contracts.

This committed expenditure relates to property and will be financed by available bank facilities,grants,retained surpluses, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

42. Contingencies

Category A: Claim exceeding R500 000

Category B: Claims between R100 000 and R500 000 .

Category C: other Legal matters less than R100 000 .

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Contingent Liabilities

Category A claims	2017	2016
1.White Leopard-Claim for security service rendered to the Municipality	5,569,102	5,552,244
2.Chiefton Facilities Management-Claim for payment of invoices issued for work allegedly done	985,425	985,425
3. Chiefton Facilities Management-Claim for services rendered on the construction of Letlhabile Cemetery Civil Works	626,809	-
4.Sobek Engineering (Pty) Ltd-Plaintiff is claiming a total amount of R7 878 688.53 plus interest calculated at the rate of 15.5% per annum which is alleged to be for service rendered and cancellation of contract respectively.	7,878,689	7,878,689
5. Sechaba Traffic Solutions CC & other-Plaintiff is claiming an amount of R 1 102 901.90 which is in respect of the mandate given to the Plaintiff for collection of outstanding traffic fines to the value of R1.5 million.	1,102,902	1,102,902
6. Petrus Rademan-Plaintiff is suing municipality for the medical expenses, pain and suffering and further for the general damages which he suffered after being electrocuted. Plaintiff alleged that such electrocution as a result of the installation of prepaid electricity water installed by municipality’s services provider.	4,000,000	4,000,000
7. Oppcrete Prop Development CO (PTY) LTD-Loss suffered as a result of the setting aside of section 82 certificate by the Municipality	5,411,582	5,411,582
8.Shane Noel Adams-Claim for payment of R3 400 000.00 which is for personal injuries and damage to motor vehicle allegedly caused by pothole	3,400,000	3,400,000
	28,974,509	**28,330,842**

Category B claims	2017	2016
1.Barlow and other-Refund for arrear rates and taxes paid under protest	195,921	195,921
2. S Sechabela-The plaintiff is suing the municipality for damages incurred as a result of injuries sustained when she fell into a sewerage drain which was allegedly left open and unattended on 3rd February 2012.	250,000	250,000
3.Telkom-Plaintiff claim for payment of damages to its copper cables allegedly caused by municipality workers	178,181	178,181
4. Donovan David Peter De Bryun-Loss suffered as a result of the Municipality’s alleged breach of its statutory and/or legal duty to erect a stop sign and/or to maintain the road signs and in particular to ensure the visibility of warning signs amongst others.	250,000	-
5. Bridget Ranaana- The municipality received summons in which Bridget Ranaan allages that her minor child suffered serious injuries as result of the municipality's negligance to take care of the electrical wires on the road of phase 3 at oukasie. The plaintiff claim an amount of R100 000 against the municipality. The meter has been postponed to allow the plaintiff to submit the medical report	-	100,000
6.Mr. De Bruyn-Summons were saved to the municipality wherein MR. De Bruyn is claiming an amount of R250 000 which is alleged to be for losses suffered as a result of the municipality's breach of its statutory and/or legal duty to erect a stop sign and/or to maintain the road signs and to ensure the visibility of warning signs amongst.	-	250,000
	874,102	**974,102**

Category C claims	2017	2016
1. Nurumahomed Aboobakar-For damage occurred as a result of negligence when electricity supply was restores	15,929	15,929

MADIBENG LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
42. Contingencies (continued)		
2. Alwyn Theron-The plaintiff is suing the municipality for damages that occurred to his vehicle by hitting a pothole whilst driving at old Rustenburg road.	30,136	30,136
3. Pieter Jooste-For damage occurred to Plaintiff vehicle when it collided with a pothole.	37,166	37,166
4. John Cryer-For damage occurred to Plaintiff vehicle when it collided with a pothole	11,160	11,160
5. Rookopies Oos Water Users Association-For levy owed to Plaintiff in respect of maintenance and running costs	86,755	86,755
6. Andries Hendrik Vermaak-Plaintiff is suing the municipality for damages which occurred as a result of the plaintiff's vehicle collided with a Lange pothole that situated within the municipality's jurisdiction. No payment has been made	9,266	-
7. Telkom-Payment claim for payment of damages of its copper cables allegedly coursed by the municipality.	36,085	36,085
Bezuidenhout-Claim for damages allegedly caused by pothole	23,661	23,661
	250,158	**240,892**

The following information is disclosed in Note 13, o Public Investment Corporation-summons against the Municipality for the payment of the following amounts * R129 738 078.88 together with interest on capital component of R 76 490 338.60 from 01st Feb 2010,*R56 234 977.53 together with interest on capital component of R 34 062 560.90, *R132 704 546.94 together with interest on capital component of R80 447 101.44, *Cost of suit including employeemnet of two counsel

43. Related parties

Relationships

Remuneration of key management personnel	Refer to note 25 & 26 on compensation to Municipal Manager, Chief Financial Officer, Senior Managers, Mayoral Committee and Other Councillors

44. Prior period errors

Presented below are those items contained in the statement of financial position, statement of fiancial perfomance that have been affected by prior year adjustments:

Notes to the Annual Financial Statements

Figures in Rand

44. Prior period errors (continued)

- -

Statements of financial positions	As previously reported	Correction of error	Restated
1. Cash and cash equivalents	65,626,995	5,839,919	71,466,914
2. Property, plant and equipment	5,324,711,995	6,065,432	5,330,777,427
3. Payables from exchange transactions	416,693,828	51,622,864	468,316,692
4. Payables from non-exchage transactions	40,435,743	2,300	40,438,043
5. VAT payable	2,260,951	6,269,986	8,530,937
6. Other financial liabilities	873,282,857	(100,832,542)	772,450,315
Accumulated Surplus	**6,723,012,369**	**(31,032,041)**	**6,691,980,328**

Statement of financial perfomance	As previously reported	Correction of error	Restated
Service charges	636,380,735	(506,044)	635,874,691
Rental of facilities and equipment	1,014,673	5,314	1,019,987
Other income	12,755,599	17,305	12,772,904
Interest received - investment			
Fines, Penalties and Forfeits	2,723,218	177,098	2,900,316
Depreciation and amortisation	559,127,829	(94,772,133)	464,355,696
Repairs and maintenance	115,800,616	(3,215,233)	112,585,383
Finance costs	115,679,796	235	115,680,031
Bulk purchases	515,693,414	(43,209,723)	472,483,691
Contracted services	129,059,580	584,490	129,644,070
Grants and subsidies paid	22,609,654	(7,131,090)	15,478,564
General expenses	183,690,711	(19,554,360)	164,136,351

45. Risk management

Financial risk management

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality’s operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Notes to the Annual Financial Statements

Figures in Rand

45. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Credit risk

Credit Risk related to consumer debtors is managed in accordance with the Councils credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Other financial assets	3,748,495	3,458,644
Consumer Debtors	376,530,512	196,115,790
Receivable from non-exchange transaction	229,704,842	110,679,138
Cash and cash equivalents	27,608,840	72,242,376

46. Going concern

We draw attention to the fact that at June 30, 2017, the municipality had deficits of R (68,492,831) and that the municipality's total current liabilities exceed its current assets by R 45 020 799.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

47. Events after the reporting date

Mr M. Maluleka was appointed as the Chief Financial Officer and Ms Y Mothibi was appointed as the Risk Manager.

This is a non-adjusting event.

48. Unauthorised expenditure

Opening balance	2,539,795,112	1,702,359,929
Unauthorised expenditure - overspending	-	837,435,183
	2,539,795,112	**2,539,795,112**

Unauthorised expenditure where not condoned by council during the financial year.

49. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Opening balance	15,364,237	8,033,260
Fruitless and wasteful expenditure - Interest on overdue accounts	6,667,961	5,904,106
Salary of Municipal Manager - M Juta	-	1,426,871
	22,032,198	**15,364,237**

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

Interest on overdue accounts its interest charged on late payments from Eskom, City of Tshwane, Rand Water etc.

Notes to the Annual Financial Statements

Figures in Rand

50. Irregular expenditure

Opening balance	762,462,954	596,048,810
Add: Irregular Expenditure - current year	561,993,322	166,414,144
	1,324,456,276	**762,462,954**

Analysis of expenditure awaiting condonation per age classification

Current year	561,993,322	596,048,810
Prior years	-	166,414,144
	561,993,322	**762,462,954**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
The irregular expenditure relates to goods and services that were purchased outside the normal procurement processes.	No steps were taken	561,993,322

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3,647,540	3,125,380

Audit fees

Opening balance	523,797	-
Current year fee	4,091,733	6,605,860
Amount paid - current year	(4,615,530)	(6,082,063)
	-	**523,797**

PAYE and UIF

Opening balance	4,520,487	-
Current year fee	63,798,826	53,588,030
Amount paid - current year	(63,798,957)	(49,067,543)
	4,520,356	**4,520,487**

Pension and Medical Aid Deductions

Opening balance	4,514,916	-
Current year fee	102,296,565	95,004,544
Amount paid - current year	(102,296,719)	(90,489,628)
	4,514,762	**4,514,916**

VAT

VAT payable	52,381,612	9,698,515

Notes to the Annual Financial Statements

Figures in Rand

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2017:

June 30, 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
A Modisakeng	2,596	55,106	57,702
A Ratlou	3,644	21,740	25,384
AI Molotsi	260	581	841
AWS Mahlatse	260	581	841
BA Maubane	260	581	841
BM Banda	2,507	30,648	33,155
CM Mampuru	252	248	500
CS Sekhoto	260	581	841
DS Maimane	15,609	9,137	24,746
ED Diale	17,991	597	18,588
EM Nkoe	260	581	841
FM Masemola	260	581	841
HT Phalwane	8	333	341
II Maledu	260	576	836
J Mosito	260	581	841
J Ratloi	6,698	30,566	37,264
JM Modipane	260	581	841
JM Mothibe	260	581	841
JT Moabi	260	581	841
K S Ntshabele	344	4,074	4,418
KM Shalang	260	581	841
KS Tlapu	260	581	841
LG Mhlambi	260	581	841
M Tlhopane	2,559	6,140	8,699
MA Mokgoko	260	581	841
MD Mosolodi	260	581	841
MG Sadikge	2,732	60,797	63,529
ML Makgale	260	581	841
MM Machete	260	581	841
MM Ramahofu	260	581	841
MP Tlhopane	4,260	20,458	24,718
NB Muhlanga	3,276	26,783	30,059
NM Maqakamba	260	581	841
O P Mosielele	345	4,119	4,464
P Pretorious	260	581	841
P Thubisi	246	2,380	2,626
P.K Mawayi	4,755	70,799	75,554
PA Phetlhe	260	581	841
PR Mohulatsi	260	581	841
RE Dikgang	260	248	508
RP Padi	252	581	833
S D Nthangeni	345	4,127	4,472
S M Maunatlala	317	2,916	3,233
T Mokwena	260	581	841
TM Modiha	260	581	841
TS Bogale	510	745	1,255
WS Ramaboa	260	581	841
	76,266	**367,643**	**443,909**

Notes to the Annual Financial Statements

Figures in Rand

51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Current year	50,756,958	9,882,332
Noted by council	-	(9,882,332)
	50,756,958	**-**

52. Distribution losses

Prior year calculation was restated due to lack of evidence, the calculation for distribution loss was re-perfomed with supporting documentation.
Electricity (units)

Year	Unit sold	Unit purchased	Loss	Loss in units
2017/06/30	277,623,616.78	414,155,388.00	136,531,771.22	(32.37)%
2016/06/30	296,050,239.08	501,819,388.00	(205,769,148.92)	(36.31)%

Electricity distribution loss calculated value amounts to R 186 437 508.24 (2016: R258 836 864.65)

Year	Unit Sold	Unit purchased	Loss of Units	Loss in units
2017/06/30	15,539,932.23	37,946,855.00	(22,406,922.77)	(58.18)%
2016/06/30	18,481,275.25	67,293,369.00	(48,812,093.75)	(68.37)%

Water distribution loss calculated value amounts to R 260 795 962.26 (2016: R614 334 144.78)

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2016 Act. Bal. Rand	Current year 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	684,074,550	942,923,000	(258,848,450)	(27.5)	Poor revenue collection from townships resulted in under collection of revenue.
Rental of facilities and equipment	1,242,806	1,755,000	(512,194)	(29.2)	
Interest received (trading)	95,353,921	70,000,000	25,353,921	36.2	
Licences and permits	6,229,320	3,400,000	2,829,320	83.2	
Commissions received	11,455,654	6,000,000	5,455,654	90.9	
Other income - (rollup)	9,778,221	16,456,000	(6,677,779)	(40.6)	Credit control measures were not implemented accordingly on, amongst other, Reconnection fees for electricity
Interest received - investment	4,300,846	7,600,000	(3,299,154)	(43.4)	
	812,435,318	,048,134,000	(235,698,682)	(22.5)	
Expenses					
Personnel	(392,301,866)	(370,680,000)	(21,621,866)	5.8	
Remuneration of councillors	(25,455,611)	(26,420,531)	964,920	(3.7)	
Depreciation	(458,567,789)	(87,370,000)	(371,197,789)	424.9	Condition assessment of infrastructure assets indicates serious detoriation of roads, water and sanitation infrastructure.
Impairments	(384,298)	-	(384,298)	-	
Finance costs	(131,937,107)	-	(131,937,107)	-	
Debt Impairment	(157,979,102)	(201,000,000)	43,020,898	(21.4)	
Repairs and maintenance - General	(122,068,563)	(77,261,500)	(44,807,063)	58.0	
Bulk purchases	(452,876,346)	(512,000,000)	59,123,654	(11.5)	
Contracted Services	(259,308,323)	(145,888,946)	(113,419,377)	77.7	
Transfers and Subsidies	(20,819,232)	(20,000,000)	(819,232)	4.1	
General Expenses	(115,990,233)	(120,898,554)	4,908,321	(4.1)	
	,137,688,470)	,561,519,531)	(576,168,939)	36.9	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(129,135,441)	-	(129,135,441)	-	
Gain or loss on exchange differences	(3,016,953)	-	(3,016,953)	-	
Fair value adjustments	40,075,280	-	40,075,280	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
	(92,077,114)	-	(92,077,114)	-	
Net surplus/ (deficit) for the year	,417,330,266)	(513,385,531)	(903,944,735)	176.1	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
										Yes/ No	
Finance Management Grant(FMG)	1,625,000	-	-	-	(263,282)	(169,590)	(165,545)	(1,026,583)	-	Yes	N/A
Expanded Public Works Programme (EPWP)	386,000	695,000	464,000	-	(514,540)	(596,650)	(615,720)	(421,644)	-	Yes	N/A
Municipal Infrastructure Grant (MIG)	88,250,000	102,019,000	58,638,000	-	(31,939,654)	(82,102,473)	(63,858,824)	(71,006,049)	-	Yes	N/A
Integrated National Electrification Programme(INEP)	-	9,304,000	2,000,000	-	-	(4,293,738)	(4,089,596)	(2,920,667)	-	Yes	N/A
Library Grant (LG)	-	1,300,000	-	-	(131,339)	(7,000)	(99,787)	(1,096,291)	326,637	Yes	N/A
	-	-	-	-	-	-	-	-	-	Yes	N/A
	90,261,000	113,318,000	61,102,000	-	(32,848,815)	(87,169,451)	(68,829,472)	(76,471,234)	326,637		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended June 30, 2017

	2017/2016											2016/2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**428,137,000**	**-**	**428,137,000**	**371,096,000**		**799,233,000**	**-**		**(799,233,000)**	**- %**	**- %**				**571,419,000**
Budget and treasury office	428,095,000	-	428,095,000	371,115,000		799,210,000	-		(799,210,000)	- %	- %				571,393,000
Corporate services	42,000	-	42,000	(19,000)		23,000	-		(23,000)	- %	- %				26,000
Community and public safety	**14,288,000**	**-**	**14,288,000**	**9,983,000**		**24,271,000**	**-**		**(24,271,000)**	**- %**	**- %**				**21,952,000**
Community and social services	1,182,000	-	1,182,000	(220,000)		962,000	-		(962,000)	- %	- %				520,000
Sport and recreation	89,000	-	89,000	79,000		168,000	-		(168,000)	- %	- %				36,000
Public safety	10,632,000	-	10,632,000	9,808,000		20,440,000	-		(20,440,000)	- %	- %				18,985,000
Housing	2,385,000	-	2,385,000	316,000		2,701,000	-		(2,701,000)	- %	- %				2,411,000
Trading services	**1,067,875,000**	**11,120,000**	**1,078,995,000**	**(333,173,000)**		**745,822,000**	**-**		**(745,822,000)**	**- %**	**- %**				**610,710,000**
Electricity	525,263,000	10,000,000	535,263,000	(23,964,000)		511,299,000	-		(511,299,000)	- %	- %				420,289,000
Water	278,694,000	600,000	279,294,000	(107,401,000)		171,893,000	-		(171,893,000)	- %	- %				128,027,000
Waste water management	140,146,000	20,000	140,166,000	(109,607,000)		30,559,000	-		(30,559,000)	- %	- %				30,721,000
Waste management	123,772,000	500,000	124,272,000	(92,201,000)		32,071,000	-		(32,071,000)	- %	- %				31,673,000
Other	**2,024,000**	**-**	**2,024,000**	**232,482,000**		**234,506,000**	**-**		**(234,506,000)**	**- %**	**- %**				**-**
Other	2,024,000	-	2,024,000	232,482,000		234,506,000	-		(234,506,000)	- %	- %				233,698,000
Total Revenue - Standard	**1,512,324,000**	**11,120,000**	**1,523,444,000**	**280,388,000**		**1,803,832,000**	**-**		**(1,803,832,000)**	**- %**	**- %**				**1,437,825,000**

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended June 30, 2017

	2017/2016											2016/2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**495,037,000**	**5,471,000**	**500,508,000**	**785,089,000**	**-**	**1,285,597,000**	**-**	**-**	**(1,285,597,000)**	**- %**	**- %**	**-**	**-**	**-**	**1,169,048,000**
Executive and council	72,799,000	3,144,000	75,943,000	(4,287,000)	-	71,656,000	-	-	(71,656,000)	- %	- %	-	-	-	67,028,000
Budget and treasury office	364,527,000	5,123,000	369,650,000	753,459,000	-	1,123,109,000	-	-	(1,123,109,000)	- %	- %	-	-	-	1,033,899,000
Corporate services	57,711,000	(2,796,000)	54,915,000	35,917,000	-	90,832,000	-	-	(90,832,000)	- %	- %	-	-	-	68,121,000
Community and public safety	**174,348,000**	**(20,000)**	**174,328,000**	**35,940,000**	**-**	**210,268,000**	**-**	**-**	**(210,268,000)**	**- %**	**- %**	**-**	**-**	**-**	**173,660,000**
Community and social services	36,060,000	(2,425,000)	33,635,000	393,000	-	34,028,000	-	-	(34,028,000)	- %	- %	-	-	-	28,498,000
Sport and recreation	11,122,000	323,000	11,445,000	(1,191,000)	-	10,254,000	-	-	(10,254,000)	- %	- %	-	-	-	9,546,000
Public safety	93,338,000	6,584,000	99,922,000	37,838,000	-	137,760,000	-	-	(137,760,000)	- %	- %	-	-	-	100,577,000
Housing	25,089,000	(690,000)	24,399,000	(2,058,000)	-	22,341,000	-	-	(22,341,000)	- %	- %	-	-	-	26,474,000
Health	8,739,000	(3,812,000)	4,927,000	958,000	-	5,885,000	-	-	(5,885,000)	- %	- %	-	-	-	8,565,000
Economic and environmental services	**47,968,000**	**(4,603,000)**	**43,365,000**	**(18,021,000)**	**-**	**25,344,000**	**-**	**-**	**(25,344,000)**	**- %**	**- %**	**-**	**-**	**-**	**23,144,000**
Road transport	46,260,000	(4,231,000)	42,029,000	(17,825,000)	-	24,204,000	-	-	(24,204,000)	- %	- %	-	-	-	1,749,000
Environmental protection	1,708,000	(372,000)	1,336,000	(196,000)	-	1,140,000	-	-	(1,140,000)	- %	- %	-	-	-	-
Trading services	**777,337,000**	**13,535,000**	**790,872,000**	**20,757,000**	**-**	**811,629,000**	**-**	**-**	**(811,629,000)**	**- %**	**- %**	**-**	**-**	**-**	**753,244,000**
Electricity	457,779,000	9,016,000	466,795,000	20,640,000	-	487,435,000	-	-	(487,435,000)	- %	- %	-	-	-	435,000,000
Water	226,032,000	3,626,000	229,658,000	(7,262,000)	-	222,396,000	-	-	(222,396,000)	- %	- %	-	-	-	221,496,000
Waste water management	23,772,000	3,449,000	27,221,000	805,000	-	28,026,000	-	-	(28,026,000)	- %	- %	-	-	-	19,547,000
Waste management	69,754,000	(2,556,000)	67,198,000	6,574,000	-	73,772,000	-	-	(73,772,000)	- %	- %	-	-	-	77,201,000
Other	**69,754,000**	**(3,263,000)**	**66,491,000**	**(1,590,000)**	**-**	**64,901,000**	**-**	**-**	**(64,901,000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Other	69,754,000	(3,263,000)	66,491,000	(1,590,000)	-	64,901,000	-	-	(64,901,000)	- %	- %	-	-	-	8,642,000
Total Expenditure - Standard	**1,564,444,000**	**11,120,000**	**1,575,564,000**	**822,175,000**	**-**	**2,397,739,000**	**-**	**-**	**(2,397,739,000)**	**- %**	**- %**	**-**	**-**	**-**	**2,127,738,000**
Surplus/(Deficit) for the year	**(52,120,000)**	**-**	**(52,120,000)**	**(541,787,000)**		**(593,907,000)**	**-**		**593,907,000**	**- %**	**- %**				**(689,913,000)**

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended June 30, 2017

	2017/2016											2016/2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote3- Cheif Operating Officer	-	-	-	(42,000)		(42,000)	-		42,000	- %	DIV/0 %				-
Vote4-Corporate And Support Servicers	-	-	-	24,000		24,000	-		(24,000)	- %	DIV/0 %				26,000
Vote 5-Budget And Treasury Office	405,470,843	(87,000)	405,383,843	371,115,000		776,498,843	-		(776,498,843)	- %	- %				571,393,000
Vote6-Infrastructure And Technical Services	1,031,363,405	(29,400,000)	1,001,963,405	(229,792,000)		772,171,405	-		(772,171,405)	- %	- %				579,083,000
Vote7- Community Services	141,236,752	(300,000)	140,936,752	(92,421,000)		48,515,752	-		(48,515,752)	- %	- %				32,193,000
Vote8-Human Settlement	3,443,000	-	3,443,000	316,000		3,759,000	-		(3,759,000)	- %	- %				2,411,000
Vote9-Economic Dev,tourism & Agric	257,456,000	-	257,456,000	232,482,000		489,938,000	-		(489,938,000)	- %	- %				233,698,000
Vote10- Public Safety	10,241,000	(230,000)	10,011,000	9,886,000		19,897,000	-		(19,897,000)	- %	- %				19,021,000
Total Revenue by Vote	**1,849,211,000**	**(30,017,000)**	**1,819,194,000**	**291,568,000**		**2,110,762,000**	**-**		**(2,110,762,000)**	**- %**	**- %**				**1,437,825,000**
Expenditure by Vote to be appropriated															
Vote1- Executive Council	36,712,000	-	36,712,000	(2,559,000)	-	34,153,000	-	-	(34,153,000)	- %	- %	-	-	-	31,342,000
Vote2- Municipal Manager	9,969,481	2,407,339	12,376,820	(28,901,000)	-	(16,524,180)	-	-	16,524,180	- %	- %	-	-	-	6,072,000
Vote3- Cheif Operating Officer	34,816,868	1,404,791	36,221,659	27,206,000	-	63,427,659	-	-	(63,427,659)	- %	- %	-	-	-	29,614,000
Vote4-Corporate And Support Servicers	87,363,512	2,907,988	90,271,500	35,917,000	-	126,188,500	-	-	(126,188,500)	- %	- %	-	-	-	68,121,000
Vote5-Budget And Treasury Office	370,515,616	(16,822,707)	353,692,909	753,425,000	-	1,107,117,909	-	-	(1,107,117,909)	- %	- %	-	-	-	1,033,899,000
Vote6-Infrastructure And Technical Services	749,572,174	(1,190,607)	748,381,567	7,478,000	-	755,859,567	-	-	(755,859,567)	- %	- %	-	-	-	697,370,000
Vote7- Community Services	128,574,013	(8,208,849)	120,365,164	5,530,000	-	125,895,164	-	-	(125,895,164)	- %	- %	-	-	-	106,339,000
Vote8-Human Settlement	29,584,353	(1,066,939)	28,517,414	(2,058,000)	-	26,459,414	-	-	(26,459,414)	- %	- %	-	-	-	26,474,000
Vote9-Economic Dev,tourism & Agric	13,411,963	(556,566)	12,855,397	(1,590,000)	-	11,265,397	-	-	(11,265,397)	- %	- %	-	-	-	8,642,000
Vote10- Public Safety	122,331,020	(205,919)	122,125,101	38,846,000	-	160,971,101	-	-	(160,971,101)	- %	- %	-	-	-	119,865,000
Total Expenditure by Vote	**1,582,851,000**	**(21,331,469)**	**1,561,519,531**	**833,294,000**	**-**	**2,394,813,531**	**-**	**-**	**(2,394,813,531)**	**- %**	**- %**	**-**	**-**	**-**	**2,127,738,000**
Surplus/(Deficit) for the year	**266,360,000**	**(8,685,531)**	**257,674,469**	**(541,726,000)**		**(284,051,531)**	**-**		**284,051,531**	**- %**	**- %**				**(689,913,000)**